



TIPA FAQ

[as of May 21, 2015] The Tax Increase Prevention Act ("TIPA") retroactively extends through tax year 2014 provisions that expired at the end of tax year 2013. This document provides information on Indiana's conformity to TIPA and related impacts on 2014 state returns.

Due to the passage of Indiana's updated definition of the Internal Revenue Code after April 15, 2015 retroactive to January 1, 2015, taxpayers may have filed 2014 tax returns declaring addbacks for various items that are now allowed. This FAQ provides instructions on how to report any adjustments to reverse the addbacks. Key changes are highlighted in red.

Indiana IRC Conformity Date: 01/01/2015

- Indiana now conforms to certain TIPA provisions and they are allowed on state returns. Indiana does not conform to certain other provisions; these are listed specifically in IC 6-3-1-3.5 or IC 6-5.5-1-2.
- If a taxpayer filed a 2014 return reporting an adjustment listed in questions 1, 2, 4, 6, and/or 11, the taxpayer must file an amended Indiana state return to take advantage of TIPA benefits. For individuals, these adjustments generally will appear as a Code 120 on the IT-40 or IT-40PNR. The adjustment should be listed on line 2 of the IT-40X. The explanation on Part 1 (page 2 of the IT-40X) should be "Other," with an explanation of the addback being reversed (for instance, "educator expense deduction").
- If you are filing a tax return after the date of this publication, do NOT report an addback related to the items listed in questions 1, 2, 4, 6, and/or 11.

Does Indiana conform to the specified provision for TY 2014

1. Educator expense deduction §62(a)(2)(D). Adjustment to income (above-the-line deduction) of up to \$250 for grade K-12 educators. Reported on FD 1040, line 23.

Conform: Yes (previously no)

On what form and line should taxpayers make adjustment?

See above instructions regarding filing an amended return.

2. Tuition and fees deduction §222. Adjustment to income (above-the-line deduction) up to \$4,000 of tuition for higher education. Reported on FD 1040, line 34.

Conform: Yes (previously no)

On what form and line should taxpayers make adjustment?

See above instructions regarding filing an amended return.

3. Deduction for state and local general sales tax §164(b)(5). An itemized deduction (Schedule A) for sales tax in lieu of state income tax. Reported on FD 1040 Schedule A, line 5.

Conform: No

On what form and line should taxpayers make adjustment?

Not permitted because it is an itemized deduction.

4. Qualified charitable contributions §408(d)(8)(F). Tax-free rollovers of up to \$100,000 from IRAs to qualified charitable organizations. Excluded from federal taxable IRA distributions.

Conform: Yes (previously no)

On what form and line should taxpayers make adjustment?

See above instructions regarding filing an amended return.

5. Qualified mortgage insurance premiums deductible as home mortgage interest §163(h)(3)(E)(iv). Private mortgage insurance (PMI) premiums are included with the mortgage interest deduction on Schedule A. Reported on FD 1040 Schedule A, line 13.

Conform: No

On what form and line should taxpayers make adjustment?

Not permitted because it is an itemized deduction.

6. Tax-exempt employer-provided transit benefits §132(f). Qualified employer-provided mass transit passes are excluded from employees' gross income.

Conform: Yes (previously no)

On what form and line should taxpayers make adjustment?

See above instructions regarding filing an amended return.

7. Qualified principal residence indebtedness exclusion §108(a)(1). Cancellation of debt of up to \$2 million on a qualified principal residence is excluded from federal gross income.

Conform: No

On what form and line should taxpayers make adjustment?

Form IT-40, Schedule 1 or IT-40PNR, Schedule B. Use code 117

8. Enhanced deduction for charitable contributions of capital gain real property under §170(b).

Conform: No

On what form and line should taxpayers make adjustment?

Not permitted because it is an itemized deduction.

9. Bonus Depreciation. 50% bonus depreciation under §168(k) remains in effect for property placed in service during 2014.

Conform: No

On what form and line should taxpayers make adjustment?

Form IT-40, Schedule 1, Line 5 or IT-40PNR, Schedule B, Line 3.

10. Expanded § 179 deduction. The maximum deduction was scheduled to decrease to \$25,000 (phaseout starting at \$200,000). Under TIPA, for tax years beginning in 2014, the maximum deduction remains at \$500,000 (phaseout starting at \$2 million).

Conform: No

On what form and line should taxpayers make adjustment?

Form IT-40, Schedule 1, Line 6 or IT-40PNR, Schedule B, Line 4.

11. What is Indiana's § 179 limit/phaseout?

\$25,000 limit; phaseout starts at the same amount as federal.